REMARKS

The December 30, 2008 Office Action rejected claims 1-50 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 4,674,044 ("Kalmus") in view of U.S. Pat. App. Pub. No. 2004/0059666 ("Waelbroeck '666"). Claims 33, 39-45 and 48-50 have been canceled to streamline prosecution.[1] All of the remaining claims have been amended and are presented herein for further examination.[2] Applicant requests reconsideration and withdrawal of the rejection of as it may be applied to claims 1-32, 34-38 and 46-47 for the reasons below.

Regarding Kalmus, the Examiner continues to assert that Kalmus discloses orders with a reserve quantity. Applicant respectfully disagrees for the reasons given in the Response to the August 23, 2007 Office Action. It is understood that the Office must give claims their broadest reasonable interpretation. But, the MPEP provides guidelines and limits on "broadest reasonable interpretation." According to MPEP ¶ 2111, claims must be given their broadest reasonable interpretation (a) "in light of the specification," and (b) "as it would be interpreted by one of ordinary skill in the art."[3]

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[1] These claims were not canceled because they were deemed not to be patentable, but without prejudice and without admission. Applicant reserves the right to file one or more continuing applications claiming subject matter from the canceled claims and any other disclosed subject matter.

[2] For purposes of determining the applicability to the claim amendments herein of *Festo Corp. v. Shoketsu Kizoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002), the applicants do not admit that any claim amendment was made to avoid prior art, or for a substantial reason relating to patentability, or to narrow the scope of any claim. The applicants do not waive any rights to any subject matter and specifically reserve the right to rebut in an appropriate proceeding any presumption that may arise that any claim has been amended so as to implicate the principles enunciated in *Festo*.

[3] Quoting *Phillips v. AWH Corp.*, 415 F.3d 1303, 75 USPQ2d 1321 (Fed. Cir. 2005).

An order with a reserve quantity is a term understood in the art. As such, the Examiner must interpret the term as it would be by one of ordinary skill in the art. It is submitted that Applicant's Response to the August 23, 2007 Office Action, and accompanying Exhibits A-D, filed February 22, 2008, establish the meaning of this term as it would be understood by one of ordinary skill in the art. However, further evidence of this can be found, for example, in Waelbroeck 2002/0010672 in ¶¶ [0062] and [0072], which refer to "reserve size" without any explanation whatsoever of what a "reserve size" is. See also US Patent No. 7,428,506 (Waelbroeck et al.) filed May 31, 2001 which discusses "reserve size" without defining it. Reserve is also discussed in WO01/16830, published March 8, 2001, which is based on US applications filed May 30, 2000 and September 1, 1999. This published International Application is assigned to the assignee of this application.

A comparison of orders with a reserve quantity as described in the application and in the Exhibits to Applicant's Response to the August 23, 2007 Office Action (filed February 22, 2008), and the qualified and unqualified orders described in Kalmus clearly reveals they are not the same. Applicant has provided evidence the orders with a reserve quantity is a term having a known meaning in art. If the Examiner continues to assert that Kalmus discloses orders with a reserve quantity, then he is respectfully requested to provide evidence to refute Applicant's evidence that one of ordinary skill in the art would consider Kalmus' qualified and unqualified orders to be orders with a reserve quantity. However, whether Kalmus discloses orders with a reserve quantity is a moot issue. This application nowhere lays claim to invention, *per se*, of orders with a reserve quantity, and at least as early as the December 29, 2000 filing date of Waelbroeck '672, orders with a reserve quantity were known in the art.

Waelbroeck '666 is concerned with a confidential block trading system method in which the price term and quantity term of orders are not disclosed. In contrast, in the present application, orders with reserve include a disclosed price term and a disclosed quantity term, and an order with an undisclosed reserve quantity is meaningless in Waelbroeck '666 at least because the quantity term of the orders is not provided for disclosure to potential counterparties.

Waelbroeck '666, however, discloses an alternate embodiment in ¶¶ [0422]-[0426] in which orders placed in the block trading system may also be "worked on the market" while waiting to be executed in the block trading system. Users that request a working order option are preferably required to enter an order quantity that is greater than the minimum block quantity. In one version of this alternate embodiment, the order is split into several chunks, one for the block trading system, and others are routed to external destinations that have the capability of working the order. The apparent relevance of Waelbroeck '666 (see page 4 of the December 30, 2008 Office Action) is that the additional size over the minimum block quantity can be dispatched to be worked by an automated process that automatically places small slices on the regular market "in the manner known in the art as 'random refresh' orders." ¶ [0424][4].

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[4] While it is believed that ¶ [0424], or more specifically the "random refresh" and "best price" features of ¶ [0424] disclosed in Waelbroeck '666, are not entitled to a filing date earlier than the filing date of the present application, April 20, 2001, Applicant will no longer rely on this for patentability, and no longer takes a position, for purposes of this response only, on whether ¶ [0424] is prior art to the present application. However, ¶ [0005] of the Waelbroeck '672 application (2002/0010672) does not appear to provide support for ¶ [0424] of the Waelbroeck '666 application. Paragraph [0005] of the Waelbroeck '672 application discloses the "common practice of splitting large interests into smaller orders affect[ing] all price discovery." This quote, and the remainder of ¶ [0005] and the background, all appear to fail to provide any support for an "automated process that automatically places small slices on the regular market, in the manner known in the art as 'random refresh' orders." With respect to the "best price" feature, on page 15 of the December 30, 2008 Office Action, the Examiner cites to "plac[ing] a small quantity of shares at the best price on the market" or "generat[ing] a new small order to be placed at the new best price" as disclosed in the Waelbroeck '666 application. However, the Examiner does not cite to any support in the earlier Waelbroeck '672 parent applications to support disclosure of the "best price" feature.

Waelbroeck '666 describes random refresh as follows:

> algorithms that place a small quantity of shares at the best price on the market, and whenever said small quantity is exhausted, generates a new small order to be placed at the new best price. The refreshed quantity is chosen at random between a minimum and maximum size, for example between 500 and 900 shares.

Applicant demonstrates below that working an order with a random refresh algorithm, as disclosed in ¶¶ [0422]-[0426] of Waelbroeck '666, in combination with orders with reserve, as known in the art, does not render any of the pending claims obvious and therefore unpatentable under § 103.

Claim 1, which is selected for purposes of discussion, claims a method for electronic trading of interests over at least one network including at least one computer that comprises:

- receiving an order for an interest having terms comprising an identification of the interest, an initial price, an initial quantity, and a reserve quantity, where the total desired quantity is equal to a sum of the initial quantity and the reserve quantity;
- providing for disclosure to potential counterparties terms for a first proposed trade of the interest comprising an identification of the interest, the initial price, and the initial quantity;
- after acceptance of the first proposed trade for all or part of the initial quantity, providing for disclosure to potential counterparties terms of a second proposed trade of the interest comprising an identification of the interest, a second price, and a second quantity, where the second price is equal to the initial price changed by a reserve price change associated with the order, and the second quantity comprises at least a portion of the reserve quantity; and
- prior to the acceptance of the first proposed trade, not providing for disclosure to potential counterparties any portion of the reserve quantity.

Summarizing, in the method of claim 1, a received order for a total desired trade comprises terms that include an initial price, an initial quantity and a reserve quantity (where the total quantity for the received order is equal to the initial and reserve quantities). The initial price and the initial quantity are provided for disclosure to potential counterparties but the reserve quantity is not. Then, after acceptance of the first proposed trade for all or part of the initial quantity, terms of a second proposed trade are provided for disclosure to potential counterparties, where the quantity term of the second proposed trade includes at least a portion of the reserve quantity, and the price term of the second proposed order is equal to the initial price changed by a reserve price change associated with the order.

Modifying (a) operation of an order with an undisclosed reserve quantity which is at least partially filled with (b) the disclosure in Waelbroeck '666 of working an order with a random refresh algorithm, results in the placing of an order having a price term that is the "best" price.[5] That is not what the method defined in claim 1 provides. Thus, for at least the reasons discussed below, the modification proposed by the Examiner does not satisfy at least the following step in the method of claim 1:

> the at least one computer, after acceptance of the first proposed trade for all or part of the initial quantity, providing for disclosure to potential counterparties over the at least one network terms of a second proposed trade of the interest, the terms for the second proposed trade comprising an identification of the interest, a second price, and a second quantity, the second price being equal to the initial price changed by a reserve price change associated with the order, and the second quantity comprising at least a portion of the reserve quantity.

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[5] Waelbroeck '666 also discloses that other more sophisticated algorithms are commercially available to automate the execution of an order through its reduction to small pieces that are executed independently. ¶ [0424].

Claim 1 recites that "the second price being equal to the initial price changed by a reserve price change associated with the order." A market-determined "best" price is not a "second price changed by a reserve price change associated with the order," as claimed in claim 1. A literal interpretation of a second priced changed by a price change is that the second price is related to the initial price by the price change associated with the order. One "best price" to the "next best price" is not a change of the "best price" to the "next best price" by a "price change associated with the order," i.e., the "best price" and "next best price" are not related by a "price change associated with the order." A "best price" appears to be determined solely by the market, which can move so that the "next best price" is an improvement over or a deterioration from the prior "best price."[6] Other price changes may also be associated with an order according to embodiments of the invention.

The foregoing analysis demonstrates that modifying a reserve order as is known in the art with Waelbroeck '666 does not result in the invention defined in claim 1. Therefore, the invention defined in claim 1 is not obvious from this combination at least for this reason, and claim 1 is allowable.

Based on reasoning similar to that above, it is submitted that the other independent claims (claims 16, 18, 34 and 46) are also allowable.

As for the dependent claims, since each is dependent on an independent claim discussed above, it is submitted that they are allowable as well. Also, since each dependent claim is deemed to define an additional aspect of the invention, the individual reconsideration of the

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[6] A non-limiting illustration of a difference between an application of "next best price" and an application of "price change associated with the order" is that a "next best price" may not be a price improvement over, and can be a worst price than, the prior "best price," while a "price change" can be associated with an order such that there repeatedly is a price improvement from order to order.

patentability of each on its own merits is respectfully requested even though, for reasons of brevity, such patentability is not separately argued herein. However, Applicant reserves the right to rely on and argue patentability of the subject matter of the dependent claims in this or another proceeding.

Similarly, because Applicant maintains that all claims are allowable for at least the reasons presented above, in the interests of brevity, this response does not comment on each and every comment made by the Examiner in the December 30, 2008 Office Action. This should not be taken as acquiescence of the substance of those comments, and Applicant reserve the right to address such comments.

Closing

In view of the above, it is submitted that all pending claims are allowable, and that the application is in condition for allowance. Applicant respectfully requests early reconsideration and allowance of the application with claims 1-32, 34-38 and 46-47.

The Examiner is respectfully invited to contact Applicant's Representative by telephone on any issue which the Examiner believes is suitable for possible resolution or clarification by telephone.

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Respectfully submitted,

FROMMER LAWRENCE & HAUG LLP
745 Fifth Avenue
New York, NY 10151

Frank J. DeRosa (Reg. No. 26,543)
Attorney for Applicant

Customer No. 20999

(212) 588-088